

Message Text

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ACTION EB-11

INFO OCT-01 AF-10 ISO-00 SS-20 NSC-07 FEA-02 AEC-11 AID-20

CEA-02 CIAE-00 CIEP-03 COME-00 DODE-00 FPC-01 H-03

INR-11 INT-08 L-03 NSAE-00 OMB-01 PM-07 RSC-01 SAM-01

SCI-06 SP-03 STR-08 TRSE-00 FRB-03 IO-14 NEA-14 ARA-16

AGR-20 DRC-01 /208 W

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FM AMEMBASSY LAGOS

TO SECSTATE WASHDC 5332

C O N F I D E N T I A L LAGOS 7172

E.O. 11652: GDS

TAGS: ENGR

SUBJECT: DEMARCHE ON HIGH OIL PRICES

REF: STATE 158884

1. ON AUGUST 2 I CALLED ON MEA DEPUTY PERMANENT SECRETARY DOVE-EDWIN TO CARRY OUT INSTRUCTIONS IN REFTEL. DOVE-EDWIN DELIBERATELY CHOSEN BECAUSE HE IS MOST LIKELY PUT MESSAGE IN PROPER FMG CHANNELS, MINISTRY OF MINES AND POWERS OFFICIALS, IN LIGHT OF THEIR TOTAL REJECTION OF USG PRICE VIEWS (LAGOS 6993, 7041) BEING FAR LESS LIKELY TRANSMIT THEM. I CONFINED MY PRESENTATION TO PARA 4 OF REFTEL.

2. IN REPLY DOVE-EDWIN SAID THAT HE PERSONALLY AND APPROPRIATE FMG OFFICIALS IN GENERAL WELL ACQUAINTED WITH VIEWS OF USG ON THIS SUBJECT. HE THINKS WE PUT FAR TOO MUCH EMPHASIS ON OIL PRICES ALONE AND SEEM BENT ON TREATING THIS SUBJECT IN ISOLATION, WHICH FMG FINDS UNSATISFACTORY. WHEAT, COPPER, COCOA, BAUXITE, AND MOST ESPECIALLY MANUFACTURED GOODS HAVE ALL INCREASED IN PRICE. WHILE THE PRICE OF OIL IS A CONTRIBUTING FACTOR, PERHAPS EVEN THE MAJOR ONE, IN GENERAL PRICE SPIRALING, IT SHOULD NOT BE
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SINGLED OUT AS THE ONE PRODUCT FOR PRICE DECREASES. FMG IS

QUITE AWARE OF DEVASTATING EFFECT HIGH OIL PRICES HAVE ON ECONOMIC OF LDCS AND, WITHIN ITS MEANS, IS TAKING UNILATERAL ACTION TO PROVIDE RELIEF (ACTION NOT SPECIFIED). NIGERIA WOULD WELCOME SIMILAR UNILATERAL OR MULTILATERAL EFFORTS ON THE PART OF OTHER NATIONS BUT BELIEVES THAT THE OPPORTUNITY WHICH THE SPECIAL UNGA MEETING PROVIDED LAST SPRING WAS MISSED. NIGERIAN PETROLEUM EXPERTS, HE SAID, ARE INIMPRESSED BY ARGUMENT THAT HIGH OIL PRICES WILL ACCELERATE DEVELOPMENT OF ALTERNATE ENERGY SOURCES. WHILE ALTERNATE SOURCES WILL CERTAINLY BECOME COMMERCIALY FEASIBLE, THAT DAY IS NOT AROUND THE CORNER, AND EVEN WHEN IT COMES, THERE WILL STILL BE A MARKET FOR PREMIUM NIGERIAN OIL. THE FMG, AS USUAL, WELCOMES THE PROSPECT OF A DIALOGUE WITH ITS LARGEST CONSUMER OF OIL, BUT NIGERIA IS NOT PREPARED TO DISCUSS A REDUCTION IN THE PRICE OF OIL IF THIS TOPIC IS ISOLATED FROM A DISCUSSION OF SIMILAR REDUCTIONS IN THE PRICE OF OTHER PRODUCTS. THE USG SHOULD BEAR IN MIND THAT NIGERIA HAS BEEN AMONG THE MOST MODERATE OF OPEC MEMBERS, BUT THE FMG WILL NOT JOIN SAUDI ARABIA IN ANY SCHEME TO REDUCE OIL PRICES--UNLESS THERE IS A REDUCTION IN THE PRICES OF OTHER PRODUCTS, ESPECIALLY MANUFACTURED GOODS. IF SAUDI ARABIA INCREASES PRODUCTION IN AN EFFORT TO REDUCE PRICES, NIGERIA "WILL CONSIDER" JOINING OTHER OPEC MEMBERS IN DECREASING PRODUCTION. FINALLY, DOVE-EDWIN ASSURED ME THAT THE OFFICIAL VIEWS OF THE USG ON THIS SUBJECT WILL BE CONVEYED TO ALL RELEVANT ELEMENTS OF THE FMG.

3. COMMENT: THE DEMARCHE SERVED TO PUT ON RECORD OFFICIAL USG VIEWS. WHEREAS FMG VIEWS HAD BEEN KNOWN IN GENERAL, ESPECIALLY AS EXPRESSED BY MMP OFFICIALS, DOVE-EDWIN'S SOFT, POLITE ARTICULATION IS AN INDICATION OF WIDE-RANGING DISCUSSIONS WITHIN THE GOVERNMENT. HE WAS NEVER HESITANT TO DEAL WITH ANY ASPECT OF THE SUBJECT AS AN OFFICIAL SPOKESMAN. I HEARD NOTHING NEW BUT WAS SOMEWHAT SURPRISED TO FIND DOVE-EDWIN A SOFTER VERSION OF PHILIP ASIODU.

4. MY MAIN REGRET IS THAT THE INSTRUCTIONS DID NOT PERMIT ME TO BE MORE EXPANSIVE IN HOPING "TO ENCOURAGE A DIALOGUE WITH PRODUCER STATES." I SEE THE NEED FOR DISCUSSIONS WITH NIGERIA (SEPTEL) OF THE TYPE WHICH APPARENTLY PROCEEDING IN THE PERSIAN GULF, THOUGH I RECOGNIZE THE DIFFERENCES AMONG PRODUCERS.
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DOVE-EDWIN HAS MADE CLEAR THE NIGERIAN BASIS FOR DIALOGUE.
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Message Attributes

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